



Comments to the Michigan Senate Committee on Energy and Technology

Public 295 of 2008

The Hon. Mike Nofs, chair

Dear Chairman Nofs and members of the Committee:

My name is Mike Reid and I am the general manager/Chief Operating Officer of Traxys Power Group, which is located in White Pine in Ontonagon County. Traxys Power Group is a division of Traxys Sarl, which has a strong interest in renewable energy and is exploring opportunities to expand its footprint in the renewable energy market.

We would very much like to comment in person before the Senate Energy and Technology Committee. However, our responsibilities to our customers and employees make it impossible to do so with respect to the schedule you've laid out for these proceedings. Therefore we'd like to submit these written comments. We'd be happy to answer your questions and questions from the Committee in person at some other date and at your convenience.

Traxys Power Group owns and operates a biomass-fueled electric generation facility in L'Anse in Baraga County. Traxys purchased the formerly idled Warden station in 2007 and, after environmental remediation and clean up, converted it to burn waste wood and other woody material diverted from the waste stream. Traxys has spent, to date, well over \$40 million for this project and we feel it was very much a worthy investment.

L'Anse Warden Electric Company was the first alternative energy provider to go online after the passage of PA 295 – The Clean, Renewable and Efficient Energy Act – and has been the recipient of numerous conversion and innovation awards.

During reconstruction we employed up to 80 individuals at living wages. We now have 17 full-time employees at the facility and support dozens of indirect jobs in the purchase and procurement of fuel. In this time of job unrest, these employment opportunities are vital and greatly appreciated by our employees, their families and the community.

Traxys has begun studies on other facilities for similar conversions, including our 40 MW power plant in White Pine, the former KI Sawyer Air Force Base in Marquette, and a plant at a former NewPage paper mill near Iron Mountain. We believe the conversion of these sites will have similar economic impact to the State of Michigan. These renovations would cost about \$160 million. Nearly all of that would be spent in the State of Michigan, from labor to materials to consulting.

Without PA 295 and the incentives available through it, L'Anse Warden Electric Company would not be operating and supporting these families and the local community. Without PA 295 we would not be able to move forward with these and opportunities. Conversion costs are significant. Renewable portfolio standards (RPS) incentives have enabled us to clear these hurdles. We encourage you and your colleagues to keep PA 295 as part of Michigan's renewable energy plan.

The arguments supporting biomass power production are many, yet the development of Michigan's renewable energy market has been largely focused on wind and solar. While they are effective ways to quickly create renewable energy from free resources, they lack the job-creating and base-load capabilities of biomass power, which has generally been overlooked due to a number of factors, some within the state's control, others not.

The thing most beneficial about biomass power – base load capability – makes the development and ongoing operation of these facilities more complex than putting up a solar or wind installation that have mostly capital costs. Biomass power plants must be fueled; a fact that makes it difficult to commit to the levelized pricing required in the majority of the request for proposals (RFPs) being issued by RPS-compliant utilities. Our fuel supply – and therefore, our production – relies on the market conditions of the forest products industry and other sectors that generate this fuel, which cannot be adequately forecast over the 20-year life of a power purchase agreement. If Michigan wants to benefit from biomass energy development there needs to be more certainty and assurance of fuel cost and availability, such as contract escalators that account for fluctuations in fuel cost and availability and collaborative efforts to expand fuel resources. Michigan's renewable energy policy needs to be more technology neutral.

Biomass power must also be recognized for the intrinsic and economic values wind and solar don't have: rural development, high numbers of good-paying jobs based in local resources, contributions to forest health, co-generation, base load reliability and stabilization of the grid.

The biomass power industry in Michigan provides \$75 million annually in economic activity in rural communities; more than half of that amount in the purchase of locally-generated fuel. L'Anse Warden Electric directly supports 44 workers in the forest products industry who process and transport our fuel in addition to the 17 people it employs at the plant, and still more who provide administrative support from the corporate office in White Pine. Biomass power plants need operators and assistant operators on site 24 hours a day, 7 days a week. They need full-time maintenance personnel, folks who harvest the fuel, people to maintain the fuel sources and fuel yards, and drivers to haul the material to the plant. We support a strong network of vendors to supply materials and assist with scheduled maintenance outages. These are local jobs that wind and solar don't provide.

In 2010 L'Anse Warden Electric estimates its economic support of the local community at nearly \$9 million (payroll, taxes, local goods and services). That support is critical to the wood fiber supply chain so vital to the forest products industry and the sustainable management of the state's forest resources.

Independent biomass power producers have been around for more than 25 years; an industry built on the economics of "zero value" fuel – forest residues and industry byproducts. The State of Michigan and

the power industry need to evaluate this model to determine if these economics "still work" in the new and emerging renewable energy marketplace created by PA 295. Expansion of the biomass industry – and the creation of associated jobs – will require greater assurances in fuel availability and price stability. A new economic model based on the overall values of biomass power generation – economic, environmental and social – needs to be explored.

Some of that exploration has begun and include various sectors of state government and the universities. L'Anse Warden Electric is participating. It has started research projects to grow woody biomass specifically for fuel to help stabilize its fuel costs and hedge against variable supply. However, as the state rushes toward the 10% by 2015 goal, these efforts must be accelerated, which will require the collaboration of all relevant state departments, universities and resource stakeholders, and made with the utmost consideration for the health, productivity and sustainability of the forest resource.

In closing, we would like to say thank you for your efforts to help keep Michigan green. We believe that the progress that has been made is just the tip of the iceberg – there are so many more opportunities ahead that will be a benefit both to Michigan's citizens and its environment. Please continue to keep biomass in your discussions as we believe it has just as much to offer, if not more, than some of the other means of creating a greener state.

Sincerely,



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